



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 2562 (1924)
June 20, 1992

SUBJECT: Treatment of Income and Social Security Taxes on Form FmHA
431-2, "Farm and Home Plan," for Insured Farmer Programs Loans

TO: State Directors, District Directors and County Supervisors

ATTN: Farmer Programs Chiefs

PURPOSE/INTENDED OUTCOME:

This Administrative Notice (AN) is being issued to implement a revised policy on the treatment of income and Social Security taxes on Form FmHA 431-2, "Farm and Home Plan," for insured Farmer Programs loans. The new policy makes FmHA treatment of these taxes consistent with commercial lender practices. The intended outcome is to ensure uniform completion of the Farm and Home Plan with respect to income and Social Security taxes.

COMPARISON WITH PREVIOUS AN:

There is no previous AN on this subject.

IMPLEMENTATION RESPONSIBILITIES:

Income and Social Security taxes are currently treated as debts and shown in Table K of Form FmHA 431-2, "Farm and Home Plan." These items are more appropriately treated as expenses for planning, accounting, and analysis purposes. Most commercial lenders treat these items as expenses. To improve consistency with commercial lending practices, effective immediately, income and Social Security taxes will be handled as follows:

MANUAL FORM

- For sole proprietors, these expense items will be included in Table F, "Cash Family Living Expenses," as a separate entry along the side of the form because of space limitation within Table F itself. The "Income and Social Security Taxes" entry in Table K, "Debt Repayment," will be crossed out. The County Supervisor will explain this change to the applicant/borrower.

EXPIRATION DATE: April 30, 1993

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1924-B



Farmers Home Administration is an Equal Opportunity Lender.
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

- For all other operators (joint operators, corporations, etc.) these expense items will be included as a separate entry in Table G, "Cash Farm Operating Expenses." The Table K entry will be crossed out. The County Supervisor will explain this change to whomever completes the form for the operator.

AUTOMATED FARM AND HOME PLAN

- For sole proprietors, include the income and Social Security taxes as "other expenses" on Table F. However, notation must be made on the form breaking down this "other expense" item so that the amount to be spent and actually spent on income and Social Security taxes is readily identifiable. The Table K entry will be crossed out. The County Supervisor will explain this change to the applicant/borrower.
- For all other operators, these expense items will be entered as a separate entry in Table G. The County Supervisor will explain this change to whomever completes the form for the operator.
- Consult the job aid for the automated Farm and Home Plan for additional guidance in making these entries.

Modifications are being prepared for Form FmHA 431-2, the FMI for Form FmHA 431-2, and the automated Farm and Home Plan. Until those revisions are issued, income and Social Security taxes will be treated in accordance with this AN, and the manual or automated form will be completed in accordance with this AN.

FmHA County and District personnel should contact their State Farmer Programs Staff if there are questions. State Office personnel may contact the Farmer Programs Loan Making Division, Direct Loans Branch, at FTS 8-700-720-1638 or commercial (202) 720-1638.

This AN may not be revised and reissued by State Directors without prior approval by the Assistant Administrator, Farmer Programs, unless modification is necessary to comply with State law.



LA VERNE AUSMAN
Administrator

Sent by Time Delay Option to States at 11:00am on 6/23/92; to Districts at 1:00pm on 6/23/92 and to Counties at 3:00pm on 6/23/92 by GSS.